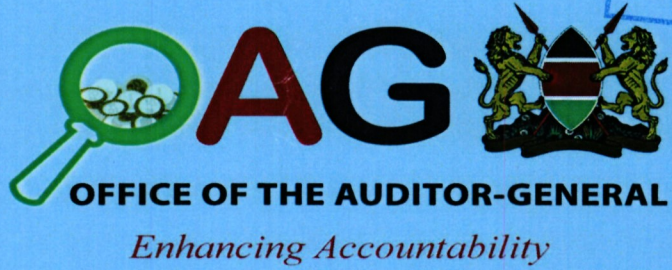


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REPORT
OF
THE AUDITOR-GENERAL
ON
MWEA RICE MILLS LIMITED
FOR THE YEAR ENDED

30 JUNE, 2019

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 02 FEB 2022 DAY: Wed

TABLED BY:	LOM
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MWEA
RICE MILLS
LIMITED



MWEA RICE MILLS LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2019

**Prepared in accordance with the accrual basis of accounting method under
the International Financial Reporting Standards (IFRS)**

MWEA RICE MILLS LIMITED.

Annual Reports and Financial Statements.

For the year ending June 30, 2019.

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MWEA RICE MILLS LIMITED.

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KEY ENTITY INFORMATION

Background

Mwea Rice Mills Ltd. (MRM) is a limited liability company owned by National Irrigation Board (55%) and the Mwea Rice Growers Multipurpose Co-operative Society Limited (45%). The Company was incorporated in 1993 under the Companies Act, CAP 486 (now repealed and substituted with Companies Act 2015)

Principal Activities

The major activities of MRM Ltd are buying, processing, marketing and storage of paddy from the Mwea Irrigation Scheme. The company has two milling units with an installed capacity of 5 tones per hour which is sufficient to handle the entire paddy produced in Mwea Irrigation settlement and adjoining regions. The company also boasts of long experience in processing and marketing of the basmati (Pishori) milled rice and the by – products. Which are mainly: Broken rice, Chicken feed and Rice bran

The company's major client is National Cereals and Produce Board. As a way of positioning itself in readiness for privatization, the company has ventured in purchasing of paddy from farmers, milling and marketing to two major supermarkets chains. These are, Uchumi and Tuskys.

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KEY ENTITY INFORMATION (Continued)

BOARD OF DIRECTORS:

Hon. Eng. Joshua N. Toro
Mr. Mudzo Kuhenderwa Nzili
Mr. Gitonga Mugambi
PS. Ministry of Water & Irrigation
PS. Ministry of Finance
Mr. Harrison Mutugi Mathindi

REGISTERED OFFICE:

Head Office
Unyunyuzi house- building
Lenana Road
P.O. Box 30372-00100

FACTORY:

Wanguru
P.O. Box 80
WANGURU

INDEPENDENT AUDITORS:

Auditor General – Kenya
Kenya National Audit Office
P.O Box 30084-00100
NAIROBI, KENYA

PRINCIPAL LEGAL ADVISERS:

The Attorney General
State Law Office
P O BOX 40112
City Square 00200
NAIROBI, KENYA

Liliani G. Kimani
Fortis Suites, 2nd Floor
NAIROBI

BANKERS:

Barclays Bank of Kenya
Queensway house
P.O. Box 30011
NAIROBI.

Barclays Bank of Kenya
P.O. Box 88
EMBU.

Kenya Commercial Bank
P.O. Box 393
WANGURU.

MWEA RICE MILLS LIMITED.

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BOARD OF DIRECTORS

The directors who served the entity during the year are listed under pages iv to ix.



Hon. Eng. Joshua N. Toro – Chairman

Hon. Eng. Joshua Ngugi Toro was appointed as the Chairman of NIB Board of Directors on May 3, 2019 via the Kenya Gazette special issue Vol. CXXI.56. He holds Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi. He is a registered Engineer by Engineers Registration Board and a member of the Institution of Engineers of Kenya.

His Engineering career started immediately after graduating in 1977 at Kenya Railways Corporation (KRC). While at KRC, he was seconded to the Union of African Railways Headquarters in Kinshasa, Democratic Republic of Congo as Head of Engineering between 1989 and 1992. The Union is a specialized agency of the African Union (AU) responsible for the promotion of railway network interconnection and transportation of goods and passengers within African Countries. As Head of Engineering, he was responsible for research and feasibility studies, policy development for acquisition, design, renewal and standardization of rolling stock and equipment and evolution of maintenance standards for the members' railways. He was accorded Diplomatic status by the Government of Kenya during this period (1989 to 1992).

Hon. Eng. Toro served as a Member of Parliament for Kandara Constituency for ten (10) years from 1997 to 2007. H.E Mwai Kibaki, who was the Official Leader of Opposition then, appointed him shadow Minister for Roads, Public Works and Housing in parliament for five (5) years between 1997 and 2002. He also served as the vice chairman of the Parliamentary Committee for Labour, Health, Housing and Social Welfare between 1997 and 2002.

He was appointed by the then President H.E Mwai Kibaki as an Assistant Minister for Roads, Public Works and Housing for five (5) years between 2003 and 2007. While in Parliament, he served as Member

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	<p>of African Parliamentarians Network Against Corruption (APNAC) which is affiliated to the Global Organization of Parliamentarians Against Corruption between 1997 and 2009.</p> <p>Hon. Eng. Toro was one of the pioneer members of the Board of Directors of Kenya National Highways Authority (KeNHA) that established it from scratch to the current formidable organization it is today. He was a Board member at KeNHA for five (5) years between 2008 and 2012 where he also served as the chairman of the Board's Technical committee alongside being a member of the Audit and the Procurement Oversight Committees.</p> <p>His background in Engineering and experience in the various leadership roles will help him lead NIB in implementing its mandate so as to effect and promote the Government's Big4 Agenda on Food Security and Nutrition.</p>
	<p>MR. MUDZO KUHENDERWA NZILI-CHAIRMAN</p> <p>Mr. Mudzo was appointed as the Chairman to the Board on 5th June 2018. He holds Master's Degree in Business Administration (MBA) from Kenya Methodist University (KeMU) Nairobi Campus, Bachelor's Degree in Travel and Tourism Management (First Class Honors) from Kenya Methodist University (KeMU) Nairobi Campus) and Diploma in Tourism and Business Studies. He brings in wide range of leadership experience. He served as the chairperson of Kenya National Union of Teachers (KNUT), Vice Chairperson NHIF, Acting Chairperson NHIF, Assistant Deputy Secretary General Kenya National Union of Teachers, Assistant Secretary General, Kenya National Union of Teachers, member of National Executive Council Coast Region (KNUT) and Executive Secretary (Kinango Branch) KNUT. He also attended African Corporate Governance Conference in Johannesburg South Africa and Universal Health Training in Thailand.</p>

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MR. GITONGA MUGAMBI - MANAGING DIRECTOR

Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He is also the Managing Director of the Company by virtue of him being the General Manager of the National Irrigation Board. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr. Gitonga Mugambi is a well-accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of Western Kenya Rice Mills Ltd.



MR. JOSEPH GATHIMBA KIBABAI, NON-EXECUTIVE DIRECTOR



Mr. Joseph Gathimba Kibabai joined the Company's Board in May 2017. He is a Non-Executive Director of the Company's Board of Directors. He sits on the Company's Board by virtue of being a Director of Mwea Rice Growers Multi-Purpose Cooperative (MRGM) the other shareholder, which is the umbrella body of Mwea Farmers with shares in MRM Limited.

He is a long serving director of the MRGM Cooperative Board having joined in March 2000. He was elected as the Board Member and the treasurer. The position he continued to hold up to April 2017 when he was elected as the Chairman of the MRGM Cooperative Board.

Mr. Gathimba brings vast knowledge, experience and leadership gained from the Expansive Mwea Rice Growing area. His current occupation is commercial rice farming.

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	<p>MR. HARRISSON MUTUGI MATHINDI, NON-EXECUTIVE DIRECTOR</p> <p>Mr. Harrison Mutugi Mathindi joined the Company's Board in May 2008. He sits on the Board by virtue of being a Director of Mwea Rice Growers Multi-Purpose Cooperative Society (MRGM) director.</p> <p>He is a long serving Director of MRGM having joined the society as Vice Chairman in March 2000, a position he continues to hold up to date. He previously worked with the Ministry of Health from 1976 to 1998. Mr. Mutugi brings vast knowledge, experience and leadership gained from the expansive Mwea rice growing region.</p> <p>His current occupation is commercial rice farming.</p>
	<p>STEPHEN IKUA, REPRESENTATIVE OF THE PRINCIPAL SECRETARY, STATE DEPARTMENT OF IRRIGATION, MINISTRY OF AGRICULTURE LIVESTOCK FISHERIES AND IRRIGATION</p> <p>Mr. Stephen Ikua, representative of the Principal Secretary, State Department of Irrigation, Ministry of Agriculture, Livestock, Fisheries and Irrigation.</p> <p>He holds a Bachelors of Arts Degree from University of Nairobi and Masters in Business Administration, Strategic Studies from Moi University. He has also attended a number of local and overseas courses. He has served the Public Service in various capacities from a District Office, District Commissioner, and County Commissioner. His experience in Public Service spans 30 years.</p>

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**MR. CHARLES KAIRU – ALTERNATE TO
PRINCIPAL SECRETARY, MINISTRY OF
FINANCE, NON-EXECUTIVE DIRECTOR**

Mr. Charles Kairu was appointed to the Board on 14th October 2015 as alternate Director to the Principal Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor's Degree in Economics from the University of Nairobi. He has over 30 years' experience in the Public Service and is currently serving as Senior Assistant Director in the Public Debt Management Office at the National Treasury.

MANAGEMENT TEAM

The Management team comprises of the General Manager and top management as follows:

 A portrait of Mr. Gitonga Mugambi, a Black man with short hair, wearing a grey suit jacket, a white shirt, and a blue and white striped tie. He is looking directly at the camera with a neutral expression.	<p><i>Mr. Gitonga Mugambi, - Managing director.</i></p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturalist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.</p>
 A portrait of Mr. Daniel Atula Masatia, a Black man with a shaved head, wearing a brown suit jacket, a light blue shirt, and a blue tie. He is looking directly at the camera with a neutral expression.	<p><i>Mr. Daniel Atula Masatia, - Deputy General Manager – Operation and Irrigation Management Services.</i></p> <p>Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Board on 1st February, 2018. He holds Bachelor of Science degree in Agriculture from University of Nairobi and is currently pursuing his MBA in Strategic Management. Mr Daniel Masatia is a well accomplished agriculturalist and manager with experience of over 25 years in scheme, projects and research operations, planning and Strategy formulation and implementation, Resource Mobilization, Formulation and execution of irrigation programmes ranging from development to operations. His experience and expertise is valuable in policy formulation and in the provision of irrigation services.</p>

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Mr. Dennis Banda Aroka, - LLB (HONS.), EMBA, FCPS (K) - Company Secretary.

Mr. Dennis Banda Aroka-Company Secretary of National Irrigation Board and Western Kenya Rice Mills. Prior to joining the Board in 2012, he had practiced as a consultant Company Secretary and held other similar positions for over 20 years. He holds an Executive MBA from Moi University. He also holds LLB (Hons) from Catholic University of East Africa. He is a Fellow Member of the Institute of Certified Public Secretaries of Kenya and has previously held the position of Council Member of the same institute



Nancy M. Wambugu, Head of ICT

Nancy is currently the Head of ICT Services and Acting Company Secretary at National Irrigation Board. She has over 13 years of experience in ICT Infrastructure operations, Information Security and Innovations in both private and public sectors. She is a holder of BSC, Information Technology, and currently undertaking MSC Information Security at Strathmore University. She also holds a Diploma in Computer Studies, CCNP, A+ and N+ Certifications. Her immersive contribution in ICT Service delivery in the Public Service has seen her awarded a Certificate of Excellence in Public Sector Innovation, 2011 Edition, by the Head of Public Sector in Kenya. She has greatly contributed to the transformation of National Irrigation Board in digitization and automation processes.

MWEA RICE MILLS LIMITED.

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CHAIRMAN'S STATEMENT


The Financial year 2018/19 was quite challenging for Mwea Rice Mills Ltd following the wide spread drought that affected most parts of the country leading to a marked shortage of paddy supply in the market. Under the circumstances, the company remained resilient, extremely positive and confident about the future. We are optimistic that in the near future, challenges of water and raw materials will be minimal with the implementation of water storage (Thiba Dam) within the Mwea environs.

The mills however in 2018-2019 continued to face a number of challenges among them being;

- i. High cost of power which has really affected our overall operational costs. Currently the cost of electricity is more than 50% of our total production cost.
- ii. Unfair trade competition from the cheap imported rice that dominates the lower segment of the local market; this negatively affects our efforts in the market place and;
- iii. Stiff marketing competition from the local rice brands in the market

The board is in the process of addressing some of the above challenges so that MRM can achieve its objectives in the milling and marketing of rice as a core business.

In conclusion, I am grateful for the support received from my fellow Directors, Management and staff at large. Finally, I also take this opportunity to express my gratitude to all our consumers, business partners, employees and stakeholders who have shown their trust in us and have extended their constant support.

Sign:  Date: 18/03/2020

Hon. ENG. JOSHUA N. TORO

CHAIRMAN, MWEA RICE MILLS LTD

MWEA RICE MILLS LIMITED.

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REPORT OF THE MANAGING DIRECTOR

The positioning of Mwea Rice Mills offers it an opportunity to excel regionally in execution of its core business. However, it may take the Company slightly longer in achieving its vision going by its performance in 2018-2019 FY. Mwea Rice Mills experienced various setbacks at the macro level, among them the impact of wide spread drought causing delays in commencement of the cropping programme in areas around the Company where raw materials are sourced. Looking ahead, we expect that our concerted focus on marketing will yield positive gains across the markets in which we operate.

Among many challenges experienced during the FY 2018-2019 include; inconsistent paddy supplies due to the drought that affected rice production in the schemes. This made it difficult for the mill to purchase paddy for milling due to inadequate supply thereby affecting its operations. The high cost of power also affected our overall operational costs. Currently the cost of electricity is more than 50% of our total cost of production. To address this challenge, we are continuously engaging with Kenya Power for a review of the current power tariff.

We also faced unfair trade competition from the cheap imported rice that dominates the lower segment of the local market and this negatively affected our efforts in the market place. To remain competitive, we will continue lobbying County and The National governments through the National Assembly to consider minimizing on the volumes of imported rice in order to cushion local production.

As we look forward into the future, we will ensure that we grow business with our customers by maintaining our tradition in delivering customer value and the experience of the superior quality of Mwea Pishori Rice. We will understand the changing consumer behavior and create convenience in business as well as ensure that we offer good quality products and services at all times. Further, we propose to put in mechanisms to ensure raw materials are procured early and in good time for steady supply of products to the envisaged markets.

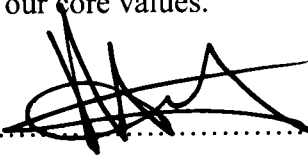
MWEA RICE MILLS LIMITED.

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Finally, it is important to note that, MRM has delivered more Human welfare benefits in ways not directly captured in audited financial reports. We have improved community welfare through stable prices and provision of local employment both directly and indirectly.

Lastly I am grateful for the unwavering support of all our shareholders. I also take this opportunity to appreciate the Board, Management and employees, who have performed above and beyond expectations to ensure that we continue to deliver quality rice on time, in full and in line with our core values.

Sign:



Date:

18/03/2020

MR. GITONGA MUGAMBI

MANAGING DIRECTOR, MWEA RICE MILLS LTD

MWEA RICE MILLS LIMITED.

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CORPORATE GOVERNANCE STATEMENT

Overview

Mwea Rice Mills Ltd is committed to the highest standard of corporate governance. Our policy is to set best practice standards in product and service quality, as well as fair conduct towards our employees, suppliers and customers. In recognizing its responsibilities of good Citizenship Mwea Rice Mills Limited particularly emphasizes on issues of social welfare, environmental care and principles of integrity.

Composition of the board

The Board of Directors of Mwea Rice Mills Ltd comprises of five directors namely;

- i. The Chairman (Chairman - National Irrigation Board)
- ii. Managing Director (General Manager - National Irrigation Board)
- iii. Two Directors from Mwea Rice Growers Multi-cooperative society Ltd.
- iv. Principal Secretary, National Treasury
- v. Principal Secretary, State Department of Irrigation

The composition of the Board is in keeping with good corporate governance practices has the role of the Chairman and the Managing Director segregated.

The role of the board

The Board of Directors is responsible for the long term strategic direction of the company which is aimed at sustainable value creation to maintain a profitable growth, and at the same time upholding high standards of corporate governance and business ethics.

The Board is also responsible for the following:

- i. Oversee the Company, including providing leadership and setting its objectives.
- ii. Represent and serve the interests of shareholders by overseeing and appraising company's strategies, policies and performance.
- iii. Approve and monitor the progress of major capital expenditure.
- iv. Approve budgets.

MWEA RICE MILLS LIMITED.

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For the year ending June 30, 2019.

- v. Approve and monitor systems of risk management, internal control, codes of conduct accountability and legal compliance to ensure appropriate compliance framework and controls are in place.
- vi. Approve and monitor the corporate, financial and other reporting systems of Mwea Rice Mills Limited including external audit and oversee their integrity;
- vii. Adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards.

Board meetings

The Board of Mwea Rice Mills Limited has four scheduled meetings per year; the meetings are held in every quarter of the year. In these meetings the Board reviews the company's performance against the planned strategies and also approve issues of strategic nature. In the period under review, the board met four times.

Directors' Remuneration

The remuneration for directors consists of sitting allowances in connection with attendance at Board and committee meetings.

Communication with stakeholders

Mwea Rice Mills Limited has in place an internal Communication and Corporate Disclosure Policy that sets out the standards of communication to be expected of the Company by its Shareholders; ensures that the Board proactively supplies relevant information to Stakeholders; and aims to enhance transparency and disclosure.

MWEA RICE MILLS LIMITED.

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MANAGEMENT DISCUSSION AND ANALYSIS

The Company's turnover decreased from Ksh. 37,385,145 to Ksh.33,574,632 in the current year under review. This represents 10% decrease when compared with the previous year. On the other hand, cost of sales increased from Ksh. 29,322,767 in the previous year to Ksh. 91,837,599 in the current year under review, representing 213.2% increase. Further, the operational costs decreased from Ksh. 18,917,075 in the previous year to Ksh. 13,646,340 in the current year under review, representing 27% decrease. It is also indicated in the chart that the profits for the year decreased from Ksh. 981,830 to Ksh. (60,889,278) representing 6,140.28% decrease in profits. This information is highlighted, in the form of a bar chart on the next page (XVIII).

The Company's unfavorable performance is associated with the climatic change where by the country was hit by the drought which resulted to poor yields for the farmers. As a result, there was no sufficient raw material of paddy for the Company. The negative performance can also be attributed to the availability of cheap imported rice in the market. The cost of production for our local rice is very high due to the high price of the raw material for the Company

The performance of the mill has been depressed also due to heavy cost of milling as a result of high power tariff by KPLC which led to additional cost of production. The future of the company is however, bright as the rent for the maissonettes and leader house will be reviewed upwards.

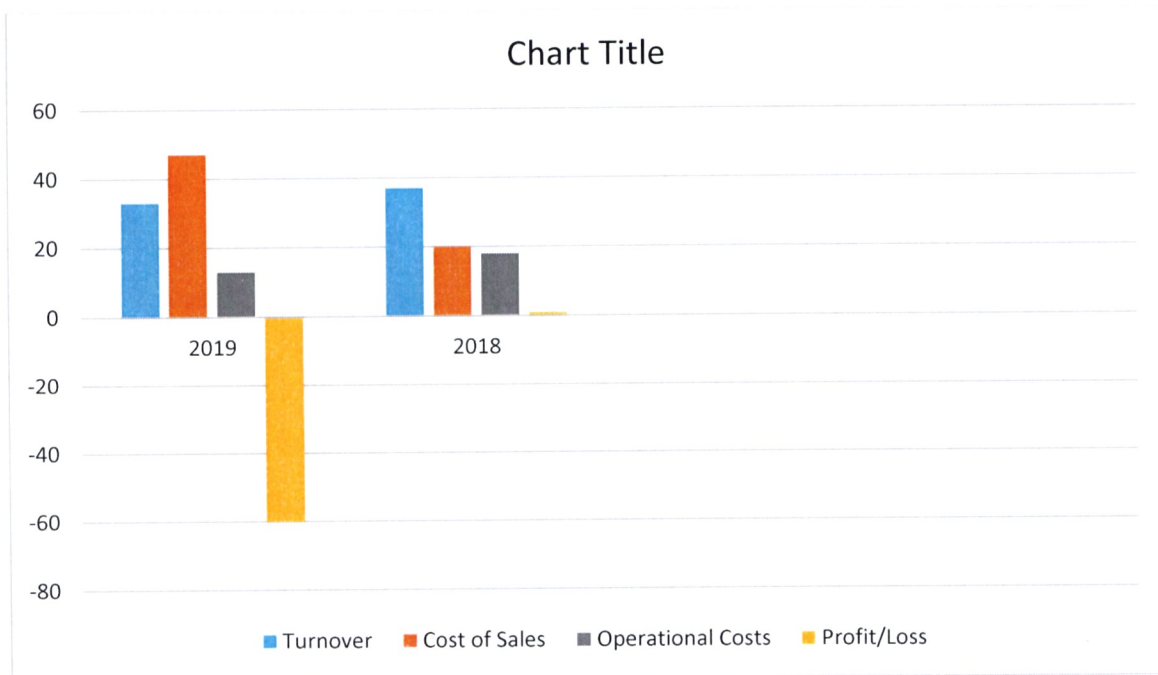
Likewise, due to the good quality of rice that is being milled, efforts are being put in place to market the product in new markets.

In order to turnaround the business of the Company, the management has plans of coming up with both short term and long term business plans. In addition, with the completion of the Thiba dam project, the water will be made available leading to better yields for the farmers. Hence, enhancing the availability of the raw material at a considerable price to the Company.

MWEA RICE MILLS LIMITED.

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Figure 1: X Axis represents Ksh. In Millions



MWEA RICE MILLS LIMITED.

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Corporate Social Responsibility (CSR) movement aimed at encouraging companies to be more aware of the impact of their business on the rest of society, including their own stakeholders and the environment. In the past years the Company has been involved in Social responsibilities such as feeding programmes for the disadvantaged children. Unfortunately, due to some financial constraints in the current financial year under review, the Company was not able to serve the community.

The potential benefits of CSR to companies include:

- ❖ Better brand recognition.
- ❖ Positive business reputation.
- ❖ Increased sales and customer loyalty.
- ❖ Operational costs savings.
- ❖ Better financial performance.
- ❖ Greater ability to attract talent and retain staff.
- ❖ Organizational growth.
- ❖ Easier access to capital.

Four Types of Corporate Social Responsibility

- ❖ Environmental Responsibility. Environmental sustainability initiatives enacted by businesses generally focus on two main areas: limiting pollution and reducing greenhouse gases.
- ❖ Philanthropic Initiatives
- ❖ Ethical Business Practices
- ❖ Economic Responsibility

MWEA RICE MILLS LIMITED.

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For the year ending June 30, 2019.

REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ended 30th June 2019 which show the state of the Mwea Rice Mills Ltd Company's affairs.

Principal activities

The principal activities of the Company are processing and marketing of milled white rice and the By-products mainly from Mwea Settlement Scheme.

Results

The results of the Company for the year ended 30th June, 2019 are set out on pages 1 to 4 of the financial statements.

Dividends

The Directors did not recommend the payment of dividend for the year ending 30th June, 2019, as the company did not post any profit.

Directors

The members of the Board of Directors who served during the year are shown on pages iv to ix. The Board of Directors for the Company comprises of the Chairman who is also the Chairman of the NIB's Board of Directors, three representatives of the PS- National Treasury, Ministry of Agriculture, Livestock, Fisheries & Irrigation and the office of the Inspectorate of State Corporations as an ex-officio member, the Managing Director who also serves as the General Manager for NIB, the Chairman and the Vice Chairman of the Mwea Rice Growers Multi- Purpose Co-operative Society (MRGM). The farmers' representatives' directorship only ceases once they stop serving in those capacities for the Society.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

MWEA RICE MILLS LIMITED.

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By Order of the Board

Sign : 

Ms. Nancy Wambugu
Ag. Company Secretary
Nairobi

Date : 18/03/2020

MWEA RICE MILLS LIMITED.

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STATEMENT OF DIRECTOR'S RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012 and Companies Act, 2015 require the Directors to prepare financial statements in respect of Mwea Rice Mills, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on 30th June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act, 2015. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended 30th June, 2019, and of the Company's financial position as at that date. The Directors further confirm the


MWEA RICE MILLS LIMITED.

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completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The *Company's* financial statements were approved on 18/03/2020 and signed on its behalf by:

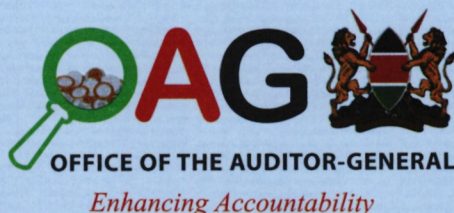
Sign: 

Mr. Harrison Mutugi Mathindi

Date: 18/03/2020

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MWEA RICE MILLS LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Mwea Rice Mills Limited set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Mwea Rice Mills Limited as at 30 June, 2019 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in Cost of Sales - Unexplained Cost of Paddy

As disclosed in Note 16 to the financial statements, the statement of profit and loss and other comprehensive income reflects cost of sales amounting to Kshs.91,996,451 which includes paddy to mills totalling to Kshs.54,669,580. Examination of Local Purchase Orders (LPOs), stock cards and delivery notes revealed the following unsatisfactory matters:

- (i) The Management purchased paddy twice totalling to Kshs.569,625 as per Goods Received Notes (96166 & 96167) and bin cards provided. However, transactions recorded in the ledger indicate that the Management purchased paddy totalling to Kshs.4,493,940 and thus, resulting in an unexplained variance of Kshs.3,924,315.

- (ii) Review of records, however, revealed cost of sales amounting to Kshs.11,300,625 was in respect of paddy to mills, which differs with the reported balance of Kshs.54,669,580 and thus, resulting in an unexplained variance of Kshs.43,368,955.
- (iii) Included in the cost of sales balance of Kshs.91,996,451 was an unexplained journal balance of Kshs.50,175,640, adjusting paddy to mills.
- (iv) The calculated cost of sales for basmati white rice totalled to Kshs.9,427,540 which varied from the reported amount of Kshs.6,773,700, resulting in unexplained variance of Kshs.2,653,840.
- (v) The cost of paddy to mills balance increased from Kshs.2,524,903 in the previous year to Kshs.54,669,580 resulting to an unreconciled increase of Kshs.52,134,677.
- (vi) Whereas the Company policy is to retain the following by products on milling namely; bran meal, chicken feeds and course bran, during the year under review, the company milled an estimated total of 7,046,925 kilograms of paddy which constituted 6,903,076 kilograms and 143,849 kilograms of paddy rice both for Millers and the Company respectively.
- (vii) However, calculation using the recovery rate on paddy milled was as follows; chicken feeds 123,803.84 Kgs while bran meal was 386,761 Kgs. It was observed that the Company did not maintain any records for these by-products.
- (viii) It was not possible to ascertain how many kilograms of the products were produced, sold and even retained at the end of the year.
- (ix) The Management reflected a Nil balance for all the by-products at the end of the year.

In the circumstances, the accuracy and completeness of the cost of sales amounting to Kshs.91,996,451 reflected in the statements of profit and loss and other comprehensive income for the year ended 30 June, 2019 could not be confirmed.

2. Inaccuracies in Turnover - Unaccounted for Turnover

As disclosed in Note 15 to the financial statements, the statement of profit and loss and other comprehensive income reflects turnover totalling Kshs.33,574,632. Examination of records, however, revealed the following unsatisfactory matters:

- (i) The turnover recorded in the daily revenue book amounting to Kshs.55,727,323 differs significantly with the balance of Kshs.33,574,632 reflected in the financial statements, resulting in understatement of turnover by Kshs.22,152,691.

- (ii) The daily revenue book reflected an amount of Kshs.25,100,455 while the revenue schedule indicated sales amounting to Kshs.33,574,632 resulting to an unexplained variance of Kshs.8,474,177.
- (iii) A visit to the stores reflected the existence of 187 bags of 50kgs in respect of discarded broken rice, an equivalent of 9,350 Kgs worth Kshs.1,870,000. It was explained that the consignment was returned from Uchumi Supermarket during the year under review. However, there was no documentation to show how the returned goods were taken on charge during the year under review.
- (iv) The balance includes basmati rice packet sales totalling to Kshs.8,794,530. However, examination of the inventory movement revealed an opening stock balance of Kshs.10,037,300 and closing stock of Kshs.454,560, resulting a turnover of Kshs.9,582,740 and which translates to unaccounted for sales amounting to Kshs.788,210, exclusive of the milled paddy during the year.
- (v) Paddy stock movement reflects an opening stock balance of Kshs.52,057,800 and closing stock of Kshs.4,536,000, resulting in paddy worth Kshs.47,521,800 being put in production. However, sales made during the year did not match with the movement of stock and paddy milled.

Consequently, the completeness and accuracy of turnover during the year of Kshs.33,574,632 could not be confirmed.

3. Lack of Valuation of Plant, Property and Equipment

As previously reported the statement of financial position reflects property, plant and equipment balance of Kshs.28,781,786 as at 30 June, 2019 which includes , a balance of Kshs.9,156,781 relating to buildings which were fully depreciated but had not been revalued. Further, the balance includes a piece of land which was acquired in 1992 at a cost of Kshs.280,000. The land has not been revalued contrary to International Accounting Standard No.16 which requires sufficient regularity in revaluation of property, plant and equipment to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

In the circumstances, it was not possible to confirm that the property, plant and equipment balance of Kshs.28,781,786 is fairly stated.

4. Unsupported Investment Properties

As disclosed in Note 3 to the financial statements and as previously reported, the statement of financial position reflects investment property with a net book value of Kshs.574,231,139. the balance includes houses located in Kilimani, Nairobi and a residential building located in Mwea. However, ownership documents provided were in the name of TAWS LTD while the title deed of land on which the building in Mwea is located was not provided for audit review.

Consequently, the ownership of the investment properties amounting to Kshs.574,231,139 could not be confirmed.

5. Unsupported Inventories

As disclosed under Note 4 to the financial statements, the statement of financial position reflects inventories balance of Kshs.23,563,868 which includes rice paddy at cost of Kshs.4,536,000 while the balance in the stock-take sheet summary reflects Kshs.46,017,280, resulting to an unreconciled variance of Kshs.41,481,280. Management did not support the balances with costing schedules.

Further, the balance constitutes a balance of Kshs.454,560 in respect of milled rice while the stocktaking sheet summary reflected an amount of Kshs.3,263,600 resulting in an unreconciled variance of Kshs.2,809,040.

In addition, the value of inventory includes spare-parts valued at Kshs.15,309,840, which were obsolete as at 30 June, 2019 as per their respective stock sheets and stock cards which reflected nil balances. The inventories balance of Kshs.23,563,868 has therefore, been overstated by inventories amount of Kshs.15,309,840.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.23,563,868 as at 30 June, 2019 could not be confirmed.

6. Trade and Other Payables

As disclosed in Note 14 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.51,325,607. Examination of records revealed the following unsatisfactory matters:

6.1 Unreconciled Intercompany Transactions

The balance includes an amount of Kshs.44,115,151 in respect of the holding company, National Irrigation Board being intercompany transactions. However, the National Irrigation Board financial statements reflect a receivables balance of Kshs.69,064,828 from Mwea Rice Mills resulting to an unreconciled variance of Kshs.24,949,677.

6.2 Non-remittance of Outstanding Tax

Further, the balance includes an amount of tax provision of Kshs.2,069,563 which was brought forward from the previous and has remained unpaid. Penalties and interests in respect of the unpaid taxes have not been provided for in the financial statements. No measures have been taken by the Company to pay the tax due and recognize the penalties and interests. In addition, an analysis for the balance has not been provided.

Consequently, the completeness and accuracy of the trade and other payables balance of Kshs.51,325,607 could not be confirmed.

7. Long Term Liabilities

As disclosed in Note 12 to the financial statements, the statement of financial position reflects long term liabilities balance of Kshs.74,647,904. The balance constitutes a balance of Kshs.52,610,534 relating to capital fund for Mill rehabilitation. Available information indicated that the Company had entered into an arrangement where it would process rice for the National Irrigation Board at a levy which was charged based on kilograms milled for the purposes of rehabilitating the Mills. The levy was later stopped when the Board opted to shed off none core business such as processing and marketing of rice. The amount of levy charged had accumulated to Kshs.52,610,534 at the time of the cessation.

Further, the long term liabilities constitute Government proposed levy balance of Kshs.22,037,370 that has remained unsettled for more than thirty one years. However, no documentary evidence has been provided to support this liability.

Consequently, the accuracy, validity and completeness of the long-term liabilities amounting to Kshs.52,610,534 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mwea Rice Mills Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude

that there is material misstatement of this other information, I am required to report that fact. I wish to report in this regard that contrary to the Directors' opinion in the statement of Directors' responsibilities, the financial statements do not present fairly, the financial position of the Mwea Rice Mills Limited as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Kenyan Companies Act, 2015.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unsupported Changes in Share Capital

As disclosed in Note 8 to the financial statements, the statement of financial position reflects share capital balance of Kshs.5,000,000 comprising of 250,000 ordinary shares of Kshs.20 each. According to the Article of Association, National Irrigation Board and Mwea Farmers Co-operative Society each owns 50% of the shares. However, in the current ownership structure, National Irrigation Board holds majority shares at 55% while Mwea Farmers Co-operative Society holds the balance 45% of the shares. No evidence has been provided to support the changes in the ownership of the company.

In the circumstances, Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Weakness in Controls in Revenue Management

As disclosed in Note 17 to the financial statements, the statement of profit and loss and other comprehensive income reflects other income balance of Kshs.3,354,383 which includes an amount of Kshs.1,964,611 in respect of rental income. However, examination of records indicates that during the year, the Ministry of Lands had submitted a valuation report on market rental rate for the Company's house - Leaders House on Moi Avenue and a mansionettes situated at the off Lenana Road and Woodlands Road Junction in Hurlingham, Nairobi. The minimum yearly expected rental income as per the valuation report for the year ended 30 June, 2019 was Kshs.16,548,000 against realized rental income of Kshs.7,665,646, resulting to an unrealized revenue amounting to Kshs.8,882,354.

Further, one of the tenants with a monthly rental of Kshs.192,250 or an income of Kshs.2,307,000 for twelve months had only paid Kshs.976,250 resulting to under collection of Kshs.1,330,750. The above is premised on the fact that the company had a final revenue budget totalling Kshs.108,000,000 but actual collection amounted to Kshs.44,594,661 only, resulting in an under-collection of revenue of Kshs.63,405,339 or 59% of the budgeted amount. The under-collection of revenue is an indication of lack of efficiency and effectiveness in operations and management of public resources. The budget and budgetary controls were not adhered to and service delivery to the citizens may have been affected.

In the circumstances, it has not been possible to ascertain whether all the rental revenues have been recorded and why the Company has not implemented the valuation report as well as instituting effective debt collection measures to realise all the rental dues.

2. Long Outstanding Receivables

As disclosed in Note 5 to the financial statements, the statement of financial position reflects the trade and other receivables balance of Kshs.28,702,923 which constitutes an amount of Kshs.20,421,874 comprising of a fixed deposit and an interest of Kshs.16,815,053 and Kshs.3,606,821 respectively, being receivables from Continental Credit Finance Ltd which went under receivership in 1986.

Although the Management has made a full provision for bad and doubtful debt for the recoverability of the principal and interest as at 30 June, 2019, the Official Receiver in respect of a winding up Case No.29 of 1986 between Mwea Rice Mills and Continental Credit Finance has contended that their records recognizes only the principal amount and not interest. The report on the outcome of the case or the current status of the case has not been provided for audit review.

Further, as disclosed in Note 7 to the financial statements, the statement of financial position reflects under current assets a balance of Kshs.1,952,021 owed by the Kenya Revenue Authority as at 30 June, 2019 which has been outstanding since 2016/2017 financial year. No measures have been taken by the company to recover the balance or have it offset against the outstanding tax due to the Authority.

In the circumstances, it was not possible to ascertain the fair value and recoverability of trade and other receivables balance of Kshs.28,702,923 as at 30 June, 2019.

3. Lack of Policy Documents and Guidelines

The Company did not have in place policy documents and guidelines establishing the procedures on operations internally. As a result, there was lack of standardization, effective control and accountability in the operations of the entity.

Consequently, test of policies and procedures could not be undertaken during the audit and there was deliberately no effective internal controls in operations.

4. Internal Audit

The company did not have an internal audit section and was neither subjected to any internal audit during the year under review to assess the efficiency and effectiveness of its operational and risk management processes.

In the circumstances, effectiveness of internal controls could not be confirmed.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, accounting records have not been kept by the Company, so far as appears from the examination of those records; and
- (iii) The company's financial statements are not in agreement with books of account;

Responsibilities of Management and Board of Directors

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, the Management is responsible for assessing the ability of the Company's to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Company monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2021

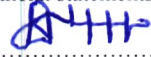
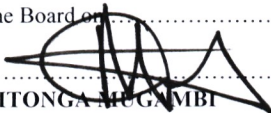
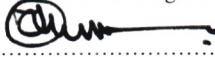
MWEA RICE MILLS LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018/2019 Kshs	2017/2018 Kshs
Revenue (Turnover)			
Turnover	15	33,574,632	37,396,490
Cost of sales	16	(91,996,451)	(29,322,767)
Gross profit/Loss		(58,421,819)	8,073,723
Other Income	17	3,354,383	4,306,920
Investment Income	18	7,665,646	7,939,046
Surplus/Deficit Revenue		(47,401,790)	20,319,689
Operating Expenses			
Administration Costs	19	(11,624,193)	(15,017,593)
Other Expenses	20	(1,731,245)	(3,149,669)
Board Members Expenses	22	(289,902)	(758,505)
Total Operating Expenses		(13,645,340)	(18,925,767)
Profit/(Loss) before Taxation		(61,047,130)	1,393,922
Tax provision (30%)		-	(418,176)
Profit/Loss for the year		(61,047,130)	975,746

MWEA RICE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

	Note	2018/2019 Kshs	2017/2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	28,623,804	33,475,101
Investment property	3	574,231,139	109,731,138
Total Non-Current Assets		602,854,943	143,206,239
Current Assets			
Inventories	4	23,563,868	81,988,303
Trade and other receivables	5	28,702,923	32,356,518
Cash and Cash Equivalent	6	46,031,907	37,472,133
Kenya Revenue Authority	7	1,952,021	1,952,021
		100,250,719	153,768,975
Total Assets		703,105,662	296,975,214
CAPITAL, FUNDS, RESERVES AND LIABILITIES			
Capital and Reserves			
Share capital	8	5,000,000	5,000,000
General reserve	9	8,700,000	8,700,000
Revaluation reserve	10	574,231,139	109,438,311
Accumulated profits/loss	11	(10,798,988)	50,541,099
Total Capital, Funds, Reserves and Liabilities		577,132,151	173,679,410
Long-Term Liabilities			
Capital Fund for Mill Rehabilitation	12	52,610,534	52,610,534
Government Proposed Levy	13	22,037,370	22,037,370
Total Long-Term Liabilities		74,647,904	74,647,904
Current Liabilities			
Trade and other payables	14	51,325,607	48,647,900
Total Current Liabilities		51,325,607	48,647,900
TOTAL EQUITY AND LIABILITIES		703,105,662	296,975,214

The financial statements were approved by the Board on And signed on its behalf by:

Sign.  MR. JOSEPH KIGOTHO SENIOR ACCOUNTANT ICPAK M/NO. '17161 DATE 18/03/2020	Sign.  MR. GITONGA MUGAMBI MANAGING DIRECTOR DATE 18/03/2020	Sign.  HON. ENG. JOSHUA N. TORO CHAIRMAN DATE 18/03/2020
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MWEA RICE MILLS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital		General reserve		Accumulated profits		Capital Fund		Revaluation Reserve		Total	
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs	
At July 1, 2017	5,000,000		8,700,000		52,565,354		52,610,534		114,784,536		233,660,424	
Profit and Loss Account	-		-		975,745		-		-		975,745	
Amortization	-		-		-		-		5,053,397		5,053,397	
Dividends Prov./ paid – 2017	-		-		3,000,000		-		-		3,000,000	
At June 30, 2018	5,000,000		8,700,000		50,541,099		52,610,534		109,731,139		226,582,772	
At July 1, 2018	5,000,000		8,700,000		50,541,099		52,610,534		109,731,139		226,582,772	
Profit and Loss account	-		-		(61,047,259)		-		-		(61,047,259)	
Prior year Adjustment	-		-		(292,828)		-		-		(292,828)	
Amortization	-		-		-		-		(27,000,000)		(27,000,000)	
Revaluation gain	-		-		-		-		491,500,000		491,500,000	
At June 30, 2019	5,000,000		8,700,000		(10,798,988)		52,610,534		574,231,139		629,742,685	

MWEA RICE MILLS LTD
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	Kshs	Kshs
Cash generated from/(used in) operations	(61,047,259)	975,745
Depreciation	5,301,719	5,939,636
Increase(Decrease) in Inventories	58,424,432	(32,708,818)
Increase(Decrease) in Receivables	3,653,595	(6,714,704)
Increase(Decrease) in Payables	2,677,707	5,581,005
Net cash generated from/(used in) operating activities	9,010,194	(26,927,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions plant and machinery	(405,420)	-
Additions Furniture and equipment	(45,000)	-
Net cash generated from/(used in) investing activities	(450,420)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	-	(3,000,000)
Net cash generated from/(used in) financing activities	-	(3,000,000)
Increase/ (Decrease) in Cash and Cash Equivalent	8,559,774	(29,927,136)
Cash and Cash Equivalent	37,472,133	67,399,269.0
Cash and Cash Equivalent for the Year	46,031,907	37,472,133

RECURRENT BUDGET FOR MRM LTD FOR THE FINANCIAL YEAR 2018/2019**1. BUDGETED INCOME FOR THE
FINANCIAL YEAR 2018/2019**

PARTICULARS	QUANTITY (KG)	UNIT PRICE KSHS	AMOUNT (KSH)
Income from commercial milling services	11,000,000	2.50	27,500,000
Rice Bran	450,000	12.00	5,400,000
Rice sales 4,000 x75Kg Bags) at 50% recovery	150,000	130.00	19,500,000
Broken Rice	2,000	50.00	100,000
Storage income from NCPB and MIAD			1,914,000
Rental income from staff Houses in			5,000,000
Investment income (Leader House and			8,000,000
TOTAL INCOME			67,414,000

1. RECURRENT BUDGET DETAILS FOR THE FINANCIAL YEAR 2018/2019

DESCRIPTION	VOTE	BUDGET FOR FINANCIAL YR 2018/2019 (KSHS.)	ADJUSTMENTS 2018/2019 (KSHS.)	FINAL BUDGET 2018/2019 (KSHS.)	ACTUALS FOR 2018/2019 (KSHS.)	VARIANCE 2018/2019 (KSHS.)
Expected Income (A)						
Turnover		52,500,000.00	-	52,500,000.00	33,574,632.00	18,925,368.00
Other Income		6,914,000.00	-	6,914,000.00	4,781,969.20	2,132,030.80
Investment income		8,000,000.00	-	8,000,000.00	7,675,646.00	324,354.00
TOTAL		67,414,000.00	-	67,414,000.00	46,032,247.00	21,381,753.00
Paddy to mills	116	55,000,000.00	-	55,000,000.00	54,669,580.00	330,420.00
Salaries and Wages- Casuals	957	6,500,000.00	-	6,500,000.00	6,391,017.30	108,982.70
Salaries and Wages- Production/ Overtime	957	80,000.00	-	80,000.00	78,000.00	2,000.00
Electricity	914	11,000,000.00	-	11,000,000.00	10,861,878.00	138,122.00
Buildings mtce -General	731	250,000.00	-	250,000.00	225,356.59	24,643.41
Buildings mtce - Stores	732	3,000,000.00	-	3,000,000.00	2,991,186.50	8,813.50
P & M Maintenance - miscellaneous		1,300,000.00	-	1,300,000.00	1,257,491.80	42,508.20
Bags and Packing materials	881	350,000.00	-	350,000.00	332,340.20	17,659.80
P & M Maintenance - mill 5	645	2,010,000.00	-	2,010,000.00	2,009,805.30	194.70
P & M Maintenance - mill 6	645	1,500,000.00	-	1,500,000.00	1,465,247.30	34,752.70
Basmati white rice purchases	117	7,000,000.00	-	7,000,000.00	6,773,700.00	226,300.00
Salaries and Wages- Regular Staff	961	2,400,000.00	-	2,400,000.00	2,393,356.00	6,644.00
Medical Expenses	838	24,999.00	-	24,999.00	24,999.00	-
House allowance		210,000.00	-	210,000.00	210,000.00	-
Leave & transfer allowance		60,000.00	-	60,000.00	54,718.00	5,282.00
NSSF		20,000.00	-	20,000.00	19,200.00	800.00

Annual Reports and Financial Statements.

For the year ending June 30, 2019.

Printing and Stationery	832	130,000.00	-	130,000.00	123,866.50	6,133.50
Travelling Expenses	847	1,650,000.00	-	1,650,000.00	1,632,990.00	17,010.00
Travel by road	847	30,000.00	-	30,000.00	29,100.00	900.00
Telephone, Postages and Sundries	911	200,000.00	-	200,000.00	190,500.00	9,500.00
Building mtce- offices	733	33,000.00	-	33,000.00	32,659.00	341.00
Legal & Professional fees/consultancy	839	1,000,000.00	-	1,000,000.00	928,250.00	71,750.00
Audit fees	833	348,000.00	-	348,000.00	348,000.00	-
Security services	714	2,200,000.00	-	2,200,000.00	2,070,708.00	129,292.00
Administration & accountancy fee		1,380,000.00	-	1,380,000.00	1,365,446.00	14,554.00
Motor vehicle Mtce.	650	550,000.00	-	550,000.00	525,280.00	24,720.00
Office Machinery Expenses	852	18,000.00	-	18,000.00	17,284.00	716.00
Buildings mtce - Staff houses	734	1,600,000.00	-	1,600,000.00	1,575,659.30	24,340.70
Uniforms	849	11,000.00	-	11,000.00	10,530.00	470.00
Bank charges	836	75,000.00	-	75,000.00	71,647.43	3,352.57
Office Tea	846	220,000.00	-	220,000.00	201,196.00	18,804.00
Subscriptions and Periodicals	842	50,000.00	-	50,000.00	45,840.00	4,160.00
Bicycles mtce	619	10,800.00	-	10,800.00	10,800.00	-
Marketing	843	25,000.00	-	25,000.00	24,000.00	1,000.00
Oills & Grease	918	500.00	-	500.00	475.00	25.00
Diesel	916	630,000.00	-	630,000.00	625,780.00	4,220.00
Petrol	917	500.00	-	500.00	500.00	-
Rates	841	461,913.00	-	461,913.00	461,913.00	-
Board Members expenses		300,000.00	-	300,000.00	289,902.00	10,098.00
Depreciation		5,200,000.00	-	5,200,000.00	5,143,737.00	56,263.00
TOTAL EXPENDITURE (B)		106,828,712.00	-	106,828,712.00	105,483,939.22	1,344,772.78
Surplus /Deficit (A- B)		(39,414,712.00)	-	(39,414,712.00)	(59,451,692.22)	20,036,980.22
2. CAPITAL BUDGET FOR THE FINANCIAL YEAR 2018/2019						
DESCRIPTION	VOTE	BUDGET FOR THE FY 20182019				
		(KSHS.)				
7 Tones Tipper Lorry		7,000,000.00	-			7,000,000.00
Office Furniture		555,000.00	-			555,000.00
Office Equipment		400,000.00	-			400,000.00
Go down Stores		8,500,000.00	-			8,500,000.00
Double Cab pick-up		5,100,000.00	-			5,100,000.00
TOTAL		21,555,000.00	-			21,555,000.00

ACCOUNTING POLICIES

1 General Information

Mwea Rice Mills Ltd was established by and derives its authority and accountability from the Companies Act Cap. 486. The Company is partially owned by the Government (National Irrigation Board-55%) and the farmers under their Co-operative Society (Farmers Amalgamated Society-45%).

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2 Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. Preparation of financial statements in conformity with the International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires the management to exercise judgement in the process of applying the Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the PFM Act, and International Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3 Adoption of New And Revised Standards

- (i) No relevant new standards and amendments to published standards effective for the year ended 30 June 2018 were adopted in the year under review.

Standard/Amendment to a standard	Effective date	Impact
IFRS 15: Revenue from Contracts with Customers (Issued 28 May 2014)	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1st Jan 2018	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:</p> <ul style="list-style-type: none"> Identify the contract with the customer Identify the performance obligations in the contract Determine the transaction price Allocate the transaction price to the performance obligations in the contracts. Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced <p>However, there were no contracts with customers within the financial year under review.</p>

Standard/Amendment to a standard	Effective date	Impact
IFRIC 22: Foreign Currency Transactions and Advance Consideration(Issued 8 December 2016)	Applicable to annual reporting periods beginning on or after 1st Jan 2018	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <p>there is consideration that is denominated or priced in a foreign currency;</p> <p>the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</p> <p>the prepayment asset or deferred income liability is non-monetary.</p> <p>The Interpretations Committee came to the following conclusion:</p> <p>The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.</p> <p>If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.</p> <p>However, there were no foreign exchange transactions within the financial year under review.</p>
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (Issued 19 January 2016)	Effective for annual periods beginning on or after 1st Jan 2017	<p>Amends IAS 12 Income Taxes to clarify the following aspects:</p> <p>Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</p> <p>The carrying amount of an asset does not limit the estimation of probable future taxable profits.</p> <p>Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</p> <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p> <p>There were no debt transactions within the financial year under review.</p>
Disclosure Initiative (Amendments to IAS 7) (Issued 29 January 2016)	Effective for annual periods beginning on or after 1st Jan 2017	<p>Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities</p> <p>All the relevant disclosures have been provided in the notes</p>
Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Issued 12 April 2016)	Effective for annual periods beginning on or after 1st Jan 2018	<p>Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p> <p>The Company did not have any contracts within the financial year under review.</p>

Standard/Amendment to a standard	Effective date	Impact
<p>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (Issued 20 June 2016)</p>	<p>Effective for annual periods beginning on or after 1st Jan 2018</p>	<p>Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.</p> <p>There were no Share -based payments during the financial period under review.</p>
<p>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) (Issued 12 September 2016)</p>	<p>Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1st Jan 2018 and only available for three years after that date</p>	<p>Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:</p> <p>an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;</p> <p>an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach</p> <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p> <p>There were no Insurance Contracts during the financial period under review.</p>
<p>Transfers of Investment Property (Amendments to IAS 40) (Issued 8 December 2016)</p>	<p>Effective for annual periods beginning on or after 1st Jan 2018</p>	<p>The amendments to IAS 40 Investment Property:</p> <p>Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.</p> <p>The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</p> <p>There were no transfers to, or from, investment property to any other use by the management within the financial year under review.</p>

Standard/Amendment to a standard	Effective date	Impact
Annual Improvements to IFRS Standards 2014–2016 Cycle (Issued 8 December 2016)	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1st Jan 2018, the amendment to IFRS 12 for annual periods beginning on or after 1st Jan 2017	<p>Makes amendments to the following standards:</p> <p>IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose</p> <p>IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</p> <p>IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.</p> <p>The company did not engage in any joint venture investments within the financial year under review.</p>
IFRS 16: Leases (Issued 13 January 2016)	Effective for annual periods beginning on or after 1st Jan 2019	<p>IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p> <p>The company did not engage in any kind of lease transactions during the financial year under review.</p>
IFRS 17 Insurance Contracts (Issued 18 May 2017)	Effective for annual periods beginning on or after 1st Jan 2021	<p>IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.</p> <p>There were no insurance liabilities at the end of the financial year under review.</p>
IFRIC 23: Uncertainty over Income Tax Treatments (Issued 7 June 2017)	Effective for annual periods beginning on or after 1st Jan 2019	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <p>Whether tax treatments should be considered collectively</p> <p>Assumptions for taxation authorities’ examinations</p> <p>The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</p> <p>The effect of changes in facts and circumstances</p> <p>There were no tax credits during the financial year under review.</p>

Standard/Amendment to a standard	Effective date	Impact
Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1st Jan 2019	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p> <p>The amendment did not affect the business of the company during the financial year under review.</p>
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1st Jan 2019	<p>Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p> <p>The amendment did not affect the business of the company during the financial year under review.</p>
Annual Improvements to IFRS Standards 2015–2017 Cycle (Issued 12 December 2017)	Annual periods beginning on or after 1st Jan 2019	<p>Makes amendments to the following standards:</p> <p>IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</p> <p>IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.</p> <p>IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p> <p>The amendment did not affect the business of the company during the financial year under review.</p>
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Issued 7 February 2018)	Annual periods beginning on or after 1st Jan 2019	<p>The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:</p> <p>If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.</p> <p>In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</p> <p>The amendment did not affect the business of the company during the financial year under review.</p>

Standard/Amendment to a standard	Effective date	Impact
Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018)	Annual periods beginning on or after 1st Jan 2020	<p>Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p> <p>The amendment did not affect the business of the company during the financial year under review.</p>

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

(iii) Early adoption of standards

The Company did not early - adopt any new or amended standard in the year 2018.

4 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are as set out below:-

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of the value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below;

- (i) Revenue from the sale of goods and services is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (ii) Grants from National Government are recognised in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

The Company does not receive any grants from the National Government.

- (iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method. Though the Company did not receive such income during the year under review.
- (iv) Dividend income is recognised in the income statement in the year in which the right to receive the payment is established. The company received dividend income of Ksh. 3,000,000 during the year under review.
- (v) Rental income is recognised in the income statement as it accrue.

(vi) Other income is recognised as it accrues.

(vi) Financial Risk management

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of the changes in the market such as price fluctuations and changes in exchange rate. However, the Company was not exposed to this risk during the year under audit.

Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The Company did not have any Foreign Currency Risk during the year under review.

Credit risk

Credit risk is the risk that a customer will not meet his/her financial instrument or customer contract, leading to a financial loss.

The company was not exposed to this risk during the year under audit.

Liquidity risk

Liquidity risk is the risk that the will not be able to meet its financial obligations when they fall due. capital. The company limits this risk by conservative use of loan capital.

b In-kind contributions

These refers to donations made to the Company in the form of actual goods and/ or services rather than in money or cash terms. These donations may include; vehicles. Equipment or personnel services. Where the financial value received can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts. Otherwise, the contribution is not recorded. No such contribution was received in the year under rev

© Property Plant and Equipment

All items of Property, Plant and Equipment are initially measured at cost. After initial recognition they are stated at historical cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amount is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in carrying amount of the same assets are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

(d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings	4% p.a
Plant and Machinery	12.5% p.a
Office Equipment and Furniture	12.5% p.a
Motor Vehicles	25% p.a
Workshop Tools	33.5% p.a
Investments (Leader Hse & Maisonnettes)	4% p.a
Computers	33.5% p.a

(d) Depreciation and impairment of property, plant and equipment

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

MWEA RICE MILLS LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 2019**PROPERTY, PLANT & EQUIPMENT**

	BUILDINGS KSHS.	PLANT & MACHINERY KSHS.	WORKSHOP TOOLS KSHS.	SEWERAGE DISPOSAL KSHS.	MOTOR VEHICLES KSHS.	FURNITURE & EQUIPMENT KSHS.	COMPUTERS KSHS.	LAND KSHS.	TOTAL KSHS.
COST:									
AS AT 01.07.2017	13,016,330	157,963,263	202,461	2,080,313	1,980,000	1,742,427	2,604,952	280,000	179,869,746
AS AT 30.06.2018	13,016,330	157,963,263	202,461	2,080,313	1,980,000	1,742,427	2,604,952	280,000	179,869,746
DEPRECIATION:									
AS AT 01.07.2017	9,975,287	125,584,406	202,441	-	1,823,375	1,429,814	1,439,686.22	-	140,455,009
CHARGE FOR THE YEAR	148,223	4,599,994	4	-	156,624	166,473	868,317.00	-	5,939,635
AS AT 30.06.2018	10,123,510	130,184,400	202,445	-	1,979,999	1,596,287	2,308,003	-	146,394,644
N.B.V 30.06.2018	2,892,820	27,778,400	16	2,080,313	1	146,140	296,949	280,000	33,474,639
COST:									
AS AT 01.07.2018	13,016,330	157,963,263	202,461	2,080,313	1,980,000	1,742,427	2,604,952	280,000	179,869,746
ADDITIONAL COST		405,420				45,000			450,420
AS AT 30.06.2019	13,016,330	158,368,683	202,461	2,080,313	1,980,000	1,787,427	2,604,952	280,000	180,320,166
DEPRECIATION:									
AS AT 01.07.2019	10,123,510	130,184,400	202,445	-	1,979,999	1,596,287	2,308,003.00	-	146,394,644
CHARGE FOR THE YEAR	154,382	4,786,466	16	-	1	94,664	266,189	-	5,301,719
ELIMINATION OF ACCM. DEP. ON DISPOSALS	-	-	-	-	-	-	-	-	-
AS AT 30.06.2019	10,277,892	134,970,866	202,461	-	1,980,000	1,690,951	2,574,192	-	151,696,363
NET BOOK VALUE:									
AS AT 30.06.2019	2,738,438		0	2,080,313	1	96,476	30,760	280,000	28,623,803
AS AT 30.06.2018	2,892,820	27,778,863	16	2,080,313	1	146,140	296,949	280,000	33,475,102

(e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, up to the maximum of costs incurred to acquire and bring over three years. However, the company did not incur such expenses in the year under review.

(f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

(g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

(h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Company did not acquire any asset under lease during the year under review.

(i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income traded at the Nairobi Securities Exchange. The bonds are interest income upon the bond's disposal or maturity. Fixed interest investments are freely measured at fair value through profit or loss. The company did not trade in any interest investments during the year under review.

(j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value. The company did not trade in any interest investments during the year under review.

(k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities. The company did not trade in any interest investments during the year under review.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

(m) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts for recovery have been exhausted.

(n) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and the carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project. However, there were no such borrowings within the year under review.

(q) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

(r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently a tKsh. 200. per employee per month.

(s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date. However, no provision is made in the year under review since all leave pay is paid in the same year it is earned.

(t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(u) Budget information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas, the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification the Company adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

(v) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

(w) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5 Significant Judgements and Sources of Estimation Uncertainty

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The judgements, estimates and assumptions made in the financial year under review include:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- .The condition of the asset based on the assessment of experts employed by the Company
- .The nature of the asset, its susceptibility and adaptability to changes in technology and process

- .The nature of the processes in which the asset is deployed
- .Availability of funding to replace the assets
- .Changes in the market in relation to the asset

Provisions

Provisions were raised and management did not see the need to make a father provision since the current debtors are active. Additional disclosure of these estimates of provisions is included in Note 5.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year under review. However, no dividends were declared during the year under review.

7 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). However, no dividends were declared during the year under review.

8 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

9 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss. However, there were no such transactions during the financial year under review.

10 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

11 INCOPORATION

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

12 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

13 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

3 INVESTMENT PROPERTY

	2018/2019	2017/2018
	KSHS	KSHS
Cost/Revaluation		
As at 1st July 2017	183,500,000	183,500,000
As at 30th June 2018	183,500,000	183,500,000
Depreciation		
As at 1st July 2017	68,715,464	63,662,067
Revaluation		5,053,397
Charge for the year	5,053,397	-
As at 30th June 2018	<u>73,768,861</u>	<u>68,715,464</u>
N.B.V as at 30th June 2018	<u>109,731,139</u>	<u>114,784,536</u>
Cost/Revaluation		
As at 1st July 2018	675,000,000	183,500,000
As at 30th June 2019	675,000,000	183,500,000
Depreciation		
As at 1st July 2019	73,768,862	68,715,464
Charge for the year on revaluation	27,000,000	5,053,397
As at 30 th June 2019	<u>100,768,862</u>	<u>73,768,862</u>
N.B.V as at 30th June 2019	<u>574,231,138</u>	<u>109,731,138</u>
N.B.V as at 30th June 2018	<u>109,731,139</u>	<u>114,784,536</u>

Revaluation of Maisonettes & Leader house was done in July 2018 by the office of Commissioner of Lands

4 INVENTORIES

	2018/2019	2017/2018
	KSHS	KSHS
Spare parts	15,309,840	16,933,927
Bags and packing materials	2,864,593	2,755,633
General store	191,671	142,041
Rice paddy	4,536,000	52,057,800
Milled Rice	454,560	10,037,300
By Products	155,200	-
Stationery Store	52,004	61,601
	<u>23,563,868</u>	<u>81,988,302</u>

5 TRADE AND OTHER RECEIVABLES

	2018/2019	2017/2018
	KSHS	KSHS
Trade debtors	17,084,502	32,211,273
Staff debtors	45,533	83,037
Interest from Bank receivable	3,606,821	3,606,821
Refundable deposits	80,920	80,920
Other receivables	16,815,053	-
Inter Companies Debtors	11,510,680	-
Continental Credit Finance (under receivership)	-	16,815,053
	<u>49,143,509</u>	<u>52,797,104</u>

LESS PROVISION FOR DOUBTFUL DEBTS

Provision on interest from deposits	3,606,821	3,606,821
Provision on trade debtors	18,712	18,712
Provision on Continental Credit Finance	<u>16,815,053</u>	<u>16,815,053</u>
	<u>20,440,586</u>	<u>20,440,586</u>
	<u>28,702,923</u>	<u>32,356,518</u>

The non current deposits were deposited with Continental Credit Finance Limited which has since been placed under receivership. The recovery of the deposits still remain uncertain.

Other Receivables refers to Continental Credit Finance.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

	2018/2019	2017/2018
	KSHS	KSHS
6 CASH & CASH EQUIVALENT		
BBK QUEENSWAY (NBI) A/C 0945035838	45,173,234	35,882,696
BBK (EMBU) A/C 1189193		902,038
KCB Wanguru A/C 1103971387		687,399
Cash in hand - factory imprest	858,672	
	<u>46,031,906</u>	<u>37,472,133</u>

	2018/2019	2017/2018
	KSHS	KSHS
7 TAXATION (KRA)		
Balance brought forward	1,952,021	1,952,021
Balance carried forward	<u>1,952,021</u>	<u>1,952,021</u>

Since the tax of Ksh. 8,784,785 was calculated and agreed by the tax consultant and KRA, the amount was transferred to the debtors' account. However the balance to date is Ksh. 1,952,021.

	2018/2019	2017/2018
	KSHS	KSHS
8 SHARE CAPITAL		
Authorised and fully paid 250,000 ordinary shares of Kshs 20/= each. The shareholding is as follows :	5,000,000	5,000,000
National irrigation Board - 55%		
Mwea Rice Mills Ltd - 45%		

9 GENERAL RESERVE

The Company used to transfer part of its profits made to the general Reserve and would utilise such reserves to pay dividends when the Company made losses. An amount of Kshs 8,700,000.00 remains unutilized to-date.

	2018/2019	2017/2018
	KSHS	KSHS
10 REVALUATION RESERVE		
Revaluation of Maisonettes	446,126,740	82,953,766
Revaluation of Leader House	155,104,399	31,537,942
Depreciation of Revalued assets	(27,000,000)	(5,053,397)
Net book Value	<u>574,231,139</u>	<u>109,438,311</u>

	2018/2019	2017/2018
	KSHS	KSHS
11 ACCUMULATED PROFIT/(LOSS)		
Balance b/f	50,541,099	52,565,354
Dividends		(3,000,000)
Profit/(loss) for the year	(61,047,259)	975,745
Prior year adjustment	(292,828)	-
Balance c/f	<u>(10,798,988)</u>	<u>50,541,099</u>

Prior year adjustment refers to the correction of revaluation reserve which had been overstated.

12 CAPITAL FUND FOR MILL REHABILITATION

Capital Fund Ksh. 52,610,534.00 for mill rehabilitation is a levy based on kilograms of rice milled for the National Irrigation Board by Mwea Rice Mills. The levy was to be used for rehabilitating the mills. The Board has since shed off non-core functions like processing and marketing of rice and therefore, the levy is no longer chargeable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

13 NON- CURRENT LIABILITY	2018/2019	2017/2018
	KSHS	KSHS
Government proposed levy **	22,037,370	22,037,370
	<u>22,037,370</u>	<u>22,037,370</u>

Government Proposed levy was a levy imposed on Mwea Rice Mills Ltd to be paid to the National Irrigation Board. The levy was to help the Board meet the Development Loan Principal and Interest Repayments. However, the levy was stopped in 1988 when the National Irrigation Board started marketing rice.

14 TRADE AND OTHER PAYABLES	2018/2019	2017/2018
	KSHS	KSHS
Audit fees provision	1,044,000	696,000
Staff Liabilities	798,879	790,068
Tax provision	2,069,563	2,069,563
NIB current account (Inter-company - Creditors)	44,115,151	43,549,705
Trade	3,298,014	1,542,564
	<u>51,325,607</u>	<u>48,647,900</u>

15 TURNOVER	2018/2019	2017/2018
	KSHS	KSHS
Broken rice sales	44,500	46,000
Basmati packets sales	8,794,530	11,923,850
Bran meal sales	3,635,889	4,467,315
Chicken feed sales	663,673	378,100
Milling Income	20,436,040	20,568,880
	<u>33,574,632</u>	<u>37,396,490</u>

16 COST OF SALES	2018/2019	2017/2018
	KSHS	KSHS
Paddy to mills	54,669,580	2,524,903
Salaries and Wages- Casuals	6,391,017	7,099,724
Salaries and Wages- Production/ Overtime	78,000	121,977
Electricity	10,861,878	9,722,679
Buildings mtce -General	225,357	392,289
Buildings mtce - Stores	2,991,187	143,620
Depreciation - Buildings	154,382	148,223
P & M Maintenance - miscellaneous	1,257,492	410,913
Depreciation - Equipment	4,786,466	4,599,994
Bags and Packing materials	332,340	355,270
P & M Maintenance - mill 5	2,009,805	996,386
P & M Maintenance - mill 6	1,465,247	542,040
Basmati white rice purchases	6,773,700	2,264,750
	<u>91,996,451</u>	<u>29,322,767</u>

17 OTHER INCOME	2018/2019	2017/2018
	KSHS	KSHS
Rental Income	1,964,611	2,096,550
Miscellaneous Income	367,772	182,639
Interest Income		4,800
Storage Income	1,022,000	2,022,931
	<u>3,354,383</u>	<u>4,306,920</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2018/2019	2017/2018
	KSHS	KSHS
18 INVESTMENT INCOME		
Gross Income	7,665,646	7,939,046
	<u>7,665,646</u>	<u>7,939,046</u>
19 ADMINSTRATIVE EXPENSES	2018/2019	2017/2018
	KSHS	KSHS
(a) Staff costs		
Salaries and Wages- Regular	2,393,356	2,951,476
Medical Expenses	24,999	25,599
House allowance	210,000	210,000
Leave & transfer allowance	54,718	68,647
Salaries & Wages-Gratuity	-	147,805
NSSF	19,200	21,600
sub-total	<u>2,702,273</u>	<u>3,425,127</u>
(b) Administrative costs		
Printing and Stationery	123,867	481,139
Travelling Expenses	1,632,990	3,596,369
Travel by road	29,100	
Telephone, Postages and Sundries	190,500	191,500
Building mtce- offices	32,659	173,526
Legal & Professional fees/consultancy	928,250	40,000
Audit fees	348,000	348,000
Security services	2,070,708	1,899,437
Licences		57,600
Administration & accountancy fee	1,365,446	1,489,274
Computer expenses	-	22,450
Motor vehicle Mtce.	525,280	1,287,065
Office Machinery Expenses	17,284	38,100
Buildings mtce - Staff houses	1,575,659	23,112
Uniforms	10,530	18,100
Buildings mtce - Leader houses	-	-
Buildings mtce - massionettes	-	1,794,000
Bank charges	71,647	124,102
sub-total	<u>8,921,920</u>	<u>11,583,774</u>
Total	<u>11,624,193</u>	<u>15,017,593</u>
20 OTHER EXPENSES	2018/2019	2017/2018
	KSHS	KSHS
Depreciation on Vehicles	1	156,624
Office Tea	201,196	166,942
Subscriptions and Periodicals	45,840	115,310
Bicycles mtce	10,800	9,900
Depreciation - Furniture & Fittings	94,551	166,473
Marketing	24,000	302,992
General repairs & mtce	-	-
Depreciation on Computer & Accessories	266,189	868,317
Oills & Grease	475	1,275
Diesel	625,780	451,091
Petrol	500	
PAYE		
Depreciation (Maiso & Leader Hs)	-	-
Depreciation - Sewarage(Workshop)	-	4
Rates	461,913	910,741
Total	<u>1,731,245</u>	<u>3,149,669</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

21 DEPRECIATION CHARGE FOR THE YEAR	2018/2019	2017/2018
	KSHS	KSHS
Fixed Assets Movement schedule	5,301,719	5,939,636
	5,301,719	5,939,636

22 BOARD MEMBERS EXPENSES	2018/2019	2017/2018
	(KSHS)	(KSHS)
Sitting Allowance	152,000	292,000
Accommodation allowance	48,000	72,000
Travel Expenses	37,902	282,505
Lunch Allowance	52,000	112,000
Total	289,902	758,505

23 RELATED PARTY TRANSACTIONS

(a) National irrigation board owns 55 % shares in Mwea Rice Mills. The other 45 % is owned by Mwea farmers. There is an agreement between NIB and farmers for the former to provide administrative and accountancy services, after which NIB charges for the same at the rate of 3% of the gross revenue for the year.

(b) The Company's board of directors and the management did not have any related party transactions with the company within the year under audit. However, there are some transactions between the Company and the NIB, as shown in note 14.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref. to Appendix 1

Reference No. on the external audit Report	Issue / Observations from Auditor	M a n a g e m	Focal Point person to resolve the issue (Name and	Status: (Resolved / Not Resolved)

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